Massachusetts Electric
A National Grid Company

Amy G. Rabinowitz
Counsel

August 4, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-67

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company and Nantucket Electric Company (collectively "Mass. Electric" or "Company"), I am responding to the Attorney General's July 31, 2003 comments regarding a contract amendment the Company has entered into with one of its standard offer suppliers ("Amendment").

The Attorney General urges the Department to reject Mass. Electric's request for approval of the Amendment, arguing that the entire matter is FERC jurisdictional. Although the standard offer contract is a wholesale sale that is subject to FERC's jurisdiction, the contract did not specifically contemplate the New England standard market design and its treatment of congestion costs. It is the dispute between the parties regarding the interpretation of the original agreement post-standard market design that gives rise to the amendment that Mass. Electric filed in this proceeding. Before the new standard market design rules became effective on March 1, 2003, the wholesale delivery point was not a point of contention, because congestion costs were socialized throughout New England.

Rather than engage in protracted litigation about an issue that was not presented at the time of the initial contract, the parties arrived at a settlement. Mass. Electric is requesting the Department to review the settlement and approve it as reasonable Contrary to the Attorney General's argument, the Department has adequate authority to undertake this review and to determine whether the amendment is an appropriate way to mitigate customers' potential exposure to congestion costs under the new standard market design rules and to make it clear that the resulting costs are recoverable in retail rates. Mass. Electric believes that it has developed a reasonable mitigation mechanism through the Amendment, and accordingly, has requested Department approval to include these costs in its Standard Offer Adjustment Provision.

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In addition, the Attorney General is mistaken that federal, and not state, privacy law applies. Mass. Gen. Laws c. 25, § 5D enables the Department to protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information. This is a proceeding before the Department; the Department's rules apply to the conduct of the proceeding. These rules include the treatment of evidence and the confidentiality of the information that is provided to the parties. Mass. Electric also disagrees with the Attorney General's contention that the Company seeks to use a confidentiality agreement to avoid its obligations under its restructuring settlement agreements. The confidentiality agreement is designed to protect the legitimate business interests of Mass. Electric and its suppliers. Under the agreement and the Department's orders, the information may be disclosed to the public if the Department finds that it is necessary and appropriate. The agreement is not designed or intended to prevent a complete investigation by the Department and a full disclosure of the results. However, it does not allow unilateral action by the parties to release this information without the other parties' consent or an order by the Department. The Attorney General's action in this case thus breached the commitment in the contract.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Joe Rogers, Office of the Attorney General